DOCUMENT RESUME

ED 145 757 **HE 009 337**

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TITLE	The Projected Impact of Various Social Security Proposals Upon Employer Contributions at Independent Colleges and Universities - 1978 to 1982.
INSTITUTION	National Association of Independent Colleges and Universities, Washington, D.C.
PUB DATE	77
NOTE	16p.; An Occasional Research Paper
AVAILABLE FROM	Office of Research, NAICU, 1717 Massachusetts Avenue, N.W., #503, Washington, D.C. 20036
EDRS PRICE	MF-$0.83 HC-$1.67 Plus Postage.
DESCRIPTORS	Educational Economics; *Employers; *Federal Legislation; *Financial Problems; *Higher Education; Predictive Measurement; Predictor Variables; *Private Colleges; *Salaries; Statistical Data; Surveys; Teacher Retirement
IDENTIFIERS	*Social Security

ABSTRACT

The potential impact over a five-year period of various social security proposals upon independent colleges and universities was examined in a survey of 114 institutions. The survey encompassed only administrative, faculty, and staff salaries, and excluded nonprofessional salaries and wages. Data concerning the average increases of employer costs are based on information supplied by 77 of the 114 institutions surveyed. Two-year colleges and specialized institutions were excluded. Although the final revised legislation is likely to reflect some combination of provisions contained in these proposals, colleges and universities should better be able to estimate the potential impact of such legislation with the information summarized in this report. (Author/LBH)

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THE PROJECTED IMPACT OF VARIOUS SOCIAL SECURITY PROPOSALS UPON EMPLOYER CONTRIBUTIONS AT INDEPENDENT COLLEGES AND UNIVERSITIES - 1978 to 1982

September 1977

by

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An Occasional Research Paper

from the

National Association of Independent
Colleges and Universities
1717 Massachusetts Avenue, N.W., #503
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THE PROJECTED IMPACT OF VARIOUS SOCIAL SECURITY PROPOSALS UPON EMPLOYER CONTRIBUTIONS AT INDEPENDENT COLLEGES AND UNIVERSITIES - 1978 to 1982

In an effort to prevent the exhaustion of social security trust funds, Congress recently has been considering several proposals to revise social security legislation. The National Association of Independent Colleges and Universities has been concerned about the potential impact of various social security proposals upon independent colleges and universities. In order to aid independent colleges and universities to prepare for a change in social security taxes, the NAICU Office of Research contracted with the Bowen-Minter Study to conduct a survey of 114 independent colleges and universities to estimate the impact of various proposals over a five-year period from 1978 through 1982. Although the final revised legislation is likely to reflect some combination of provisions contained in these several proposals, and other variations, colleges and universities should be better able to estimate the potential impact of such legislation over the next five years with the information summarized here.

This survey encompassed only administrative, faculty and staff salaries, and excluded non-professional salaries and wages. Data concerning the average increases of employer costs is based upon information supplied by 77 of the 114 independent colleges and universities included in the Bowen-Minter sample. The sample is truly representative of the 901 independent universities and colleges included in the Carnegie classification categories 1, 2, and 3, but excludes two-year colleges and specialized institutions.

SOCIAL SECURITY: PRESENT LAW AND FIVE LEGISLATIVE PROPOSALS

The following are descriptions of the present law and the five legislative proposals in order of descending impact upon independent colleges and universities:

Present Law

The employer and employee contributions to Social Security are identical. The tax rate moves from 6.050% in 1978 to 6.300% in 1982, and the wage base ceiling increases from $17,700 in 1978 to $23,400 in 1982.

The Senate Finance Committee Staff Proposal

This proposal calls for removing the wage base ceiling for the employer as of January 1, 1978, and increasing the tax rate from 6.05% to 6.55% in 1981. For the employee, the wage base ceiling is gradually increased from $17,700 in 1978 to $23,400 in 1982, and the tax rate is increased from 6.05% in 1978 to 6.55% in 1981.

The First Nelson Proposal*

This proposal presented by Senator Nelson (D.-Wisconsin), calls for raising the wage base ceiling for employers to $25,000 in 1978, $40,000 in 1979 and to $100,000 in 1980 while maintaining the same wage base ceiling for employees as in present law. Employers and employees would be treated equally with a one percent increase in the tax rate to 6.400% in 1981. The Nelson Proposal contains some long-term features: for employees, the tax base is increased by $600 in 1983 and 1985 above the automatic increases contained in present law; and both employers and employees would each face increases in the tax rate, 0.3% in 1985 and 0.6% in 1990, over those scheduled in the present law.

The Carter Administration Proposal

This proposal varies the wage base ceiling for employer and employee. The tax rate remains the same as present law. The employer wage base ceiling is raised from $17,700 in 1978 to the total payroll in 1981. The employee wage base ceiling is raised from $17,700 in 1978 to $24,600 in 1982.

The First Curtis Proposal*

This proposal presented by Senator Curtis (R.-Nebraska), calls for a two percent increase in the tax rate for both employers and employees to 6.500% in 1982, and calls for a retention of present law as to the wage base ceiling.

The First Ullman Proposal*

This proposal presented by Chairman Ullman (D.-Oregon), treats employers and employees equally. It calls for a yearly increase of $500 in the wage base ceiling from 1978 to 1982, and a two percent increase in the tax rate to 6.50% in 1981.

The tables which follow project the average and the aggregate employer costs of these proposals at independent colleges and universities. As various other proposals are considered by Congress, NAICU can project the cost of social security taxes from its model to independent colleges and universities.

*All three of these proposals have recently been revised by their respective sponsors for further consideration by the Congress.

TABLE 1

PROJECTED INCREASES OF AVERAGE EMPLOYER COSTS

FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1978 - 1982

(N = 77)

	1977	1978	1979	1980	1981	1982	Cumulative Totals 1978-1982
Present Law	$156,000	$171,967	$182,745	$195,359	$216,731	$230,188	$ 996,990
Senate Finance Committee Staff Proposal	$156,000	$212,021	$223,682	$235,985	$269,539	$284,364	$1,225,592
(Increase over Present Law)		(+40,054)	(+40,937)	(+40,625)	(+52,809)	(+54,176)	(+228,602)
Nelson Proposal	156,000	199,020	221,982	235,985	263,367	277,852	1,198,206
(Increase over Present Law)		(+27,053)	(+39,238)	(+40,625)	(+46,636)	(+47,664)	(+201,216)
Carter Administration Proposal	156,000	171,967	202,187	232,523	259,252	273,510	1,139,439
(Increase over Present Law)		(0)	(+19,442)	(+37,163)	(+42,521)	(+43,323)	(+142,449)
Curtis Proposal	156,000	180,494	197,848	211,505	225,331	239,322	1,054,501
(Increase over Present Law)		(+8,527)	(+15,103)	(+16,145)	(+8,600)	(+9,134)	(+57,510)
Ullman Proposal	156,000	180,609	191,649	204,533	226,289	240,121	1,043,202
(Increase over Present Law)		(+8,642)	(+8,904)	(+9,174)	(+9,559)	(+9,933)	(+46,212)

TABLE 2

PROJECTED CHANGES OF AVERAGE EMPLOYER COSTS

FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1978 - 1982

(N = 77)

Index Numbers: 1977 = 100

	1977	1978	1979	1980	1981	1982
Present Law	100	110	117	125	138	147
Senate Finance Committee Staff Proposal	100	135	143	151	172	182
(Increase over Present Law)		(+25)	(+26)	(+26)	(+34)	(+35)
Nelson Proposal	100	127	142	151	168	178
(Increase over Present Law)		(+17)	(+25)	(+26)	(+30)	(+31)
Carter Administration Proposal	100	110	129	149	166	175
(Increase over Present Law)		(0)	(+12)	(+24)	(+28)	(+28)
Curtis Proposal	100	115	126	135	144	153
(Increase over Present Law)		(+5)	(+9)	(+10)	(+6)	(+6)
Ullman Proposal	100	115	122	131	145	153
(Increase over Present Law)		(+5)	(+5)	(+6)	(+7)	(+4)

TABLE 3

PROJECTED INCREASES OF AGGREGATE EMPLOYER COSTS

FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1978 - 1982 (DOLLARS IN THOUSANDS)

(N = 901)

	1977	1978	1979	1980	1981	1982	Cumulative Totals 1978-1982
Present Law	$140,556	$154,942	$164,653	$176,019	$195,274	$207,399	$ 898,287
Senate Finance Committee Staff Proposal (Increase over Present Law)	$140,556	$191,031 (+36,089)	$201,538 (+36,885)	$212,622 (+36,603)	$242,855 (+47,581)	$256,212 (+48,813)	$1,104,258 (+205,971)
Nelson Proposal (Increase over Present Law)	140,556	179,317 (+24,375)	200,006 (+35,353)	212,622 (+36,603)	237,293 (+42,019)	250,345 (+42,946)	1,079,583 (+181,296)
Carter Administration Proposal (Increase over Present Law)	140,556	154,942 (0)	182,171 (+17,518)	209,503 (+33,484)	233,586 (+38,312)	246,433 (+39,034)	1,026,635 (+128,348)
Curtis Proposal (Increase over Present Law)	140,556	162,625 (+7,683)	178,261 (+13,608)	190,566 (+14,547)	203,023 (+7,749)	215,629 (+8,230)	950,104 (+51,817)
Ullman Proposal (Increase over Present Law)	140,556	162,728 (+7,786)	172,676 (+8,023)	184,285 (+8,266)	203,887 (+8,613)	216,349 (+8,950)	939,925 (+41,638)

TABLE 4

SUMMARY OF PROJECTED INCREASES OF AGGREGATE EMPLOYER COSTS

FOR INDEPENDENT COLLEGES AND UNIVERSITIES: 1978 - 1982

(DOLLARS IN THOUSANDS)

(N = 901)

	Cumulative Cost 1978-1982	Dollar Increase Over Present Law	Percentage Increase Over Present Law
Present Law	$ 898,287	$ 0	0%
Senate Finance Committee Staff Proposal	$1,104,258	$205,971	+22.93
Nelson Proposal	1,079,583	181,296	+20.18
Carter Administration Proposal	1,026,635	128,348	+14.29
Curtis Proposal	950,104	51,817	+5.77
Ullman Proposal	939,925	41,638	+4.64

APPENDIX

Methods Summary

The present study utilized the national sample of the Bowen-Minter Study. This stratified random sample includes 100 institutions carefully drawn to represent all of the accredited, independent, non-profit institutions (as defined by the Carnegie Commission)[1], excluding research universities, two-year colleges and specialized professional schools. However, the sample was expanded to 114 institutions for this study to include 14 research universities. The four distinct types of institutions represented in this universe -- research and doctoral granting universities, comprehensive colleges and universities, liberal arts I colleges, and liberal arts II colleges -- represent 901 institutions serving 1,835,000 students, which was 60 percent of the institutions and 85 percent of the enrollment of the independent sector as of 1969-1970. (See the attached list for the institutions in the Bowen-Minter Study.) The sample was drawn to insure representation of the four types of institutions, of broad geographical regions of the country, and of institutions of various sizes as based on enrollment. The 114 institutions which are included in this sample represent 11.5 percent of the universe of 901 independent institutions.

Institutions were asked to submit copies of the Office of Education Form 2300-3 "Employees and Institutions of Higher Education" for 1975-1976 in which institutions report administrative and faculty salaries. The total response rate was 103 or 90.3 percent, with 77 or 75 percent usable responses to match finance data. Several research universities submitted only faculty salaries since their policy is not to release information on administrative salaries. Thirty-one out of 67 universities and comprehensive colleges (50 percent) submitted usable responses while 46 out of 55 liberal arts colleges (84 percent) submitted usable responses.

The social security taxes for 1975-76 for administrative and staff salaries reported on this form became the base year. Then five legislative proposals were compared to present law over a five-year period. Built into the calculations was a 5.5 percent salary increase each year which is an average of the salary increases over the two years, 1974 to 1976, in the Bowen-Minter Study.[2]

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[1] A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973).

[2] Howard R. Bowen and W. John Minter, Private Higher Education. Second Annual Report on Financial and Educational Trends in the Private Sector of American Education (Washington, D.C.: Association of American Colleges, 1976). See also W. John Minter and Howard R. Bowen, Private Higher Education. Third Annual Report on Financial and Educational Trends in the Private Sector of American Education (Washington, D.C.: Association of American Colleges, 1977).

In addition, total expenditures were increased by 9.45 percent a year for universities, by 8.93 percent a year at liberal arts colleges, and by 9.14 percent a year for the total sample. These percentage increases are an average of the increase in total expenditures over two years, 1974 to 1976, in the Bowen-Minter Study.[3] Detailed data from this survey is available by institutional type -- liberal arts colleges and universities.

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[3]Ibid.

Institutions in the Bowen-Minter Study*

Doctoral-Granting Universities

Adelphi University
Dartmouth College
University of Denver
Drexel University
Georgetown University
Marquette University
University of Notre Dame
University of the Pacific
Southern Methodist University
University of Tulsa

Comprehensive Universities and Colleges

Abilene Christian College
University of Albuquerque
Baldwin-Wallace College
Capital University
University of Dayton
Drake University
Elmira College
Fairleigh-Dickinson University
Geneva College
Gonzaga University
University of Hartford
Iona College
Lafayette College
Merrimack College
Oklahoma Baptist University
Ouachita Baptist University
Pacific Lutheran University
University of Puget Sound
Roger Williams College
Russell Sage College
St. Lawrence University
St. Norbert College
University of Santa Clara
Seton Hall University
Simmons College
Suffolk University
Texas Wesleyan College
Trinity University
Tri-State College
Union College
Valparaiso University
Villanova University

Liberal Arts Colleges I

Allegheny College
Augustana College
Carleton College
Colorado College
Davidson College
Hamilton College
Kalamazoo College
Kenyon College
Macalester College
Mt. Holyoke College
College of New Rochelle
Oberlin College
Randolph-Macon Woman's College
Reed College
Ripon College
Rosemont College
St. Olaf College
Salem College
Washington and Lee University
Wells College
Westminster College
Wheaton College
Whitman College
Williams College

Liberal Arts Colleges II

Belmont Abbey College
Bennett College
Berry College
Bethel College
Bryan College
Campbell College
Clark College
Curry College
Dominican College of Blauvelt
Elmhurst College
Fisk University
George Fox College
Marian College of Fond du Lac
Meredith College
Miles College
Milligan College
Millsaps College
North Central College
Northwestern College
Paine College
Presbyterian College
Paul Quinn College
Regis College
Rivier College
Rust College
St. Paul's College
Shaw University
Stephens College
Talladega College
Tarkio College
Unity College
Upsala College
Westmont College
Wilmington College

*The 14 research universities were selected to expand the Bowen-Minter sample for this particular study. Until institutions have formally agreed to participate in the Bowen-Minter sample, the researchers have agreed to maintain their anonymity.